

SETTLEMENT AND COVENANT NOT TO SUE AGREEMENT

Settlement Agreement and Covenant Not to Sue Agreement, effective as of this 21 day of SEPTEMBER, 2004, (hereinafter "Agreement") is entered into by, between and among:

Golden Bay Electronics, L.P., a corporation of the State of New York, having a principal place of business at 73-73 Buxley Avenue, Hempstead, New York 11550 (hereinafter called "Golden Bay"),

Mr. Chia Chen Chang of Wein Ace Decorative Lamp Co., Ltd., having a principal place of business in Long Zhu Bridge, Tao Yuan Town, Hsichun, Guang Dong, P. R. China (hereinafter, "Wein Ace"), and

Wills Electric Co. Ltd., a corporation organized and existing under the laws of New York, with a principal place of business at 14th Floor, No. 31, Hsin-Yi Road, Section 4, Taipei, Taiwan, R. China (hereinafter "Wills Electric").

WHEREAS, Mr. Chia Chen Chang has assigned to Golden Bay, the entire right, title, and interest in and to, United States Patent 5,645,342 and counterpart patents and/or applications in other countries all of which are listed on Appendix I, all such patents and applications, including any re-issues, re-examined patent, divisional or continuation applications being hereinafter collectively referred to as the "Patents."

WHEREAS, on or about March 13, 2001, a Civil Action bearing Docket Number CV-00-0977 was filed in United States District Court for the Eastern District of New York and on or about May 21, 2001, a Civil Action bearing Docket Number CV-01-2208 (hereinafter jointly "Civil Actions") was filed in United States District Court for the Eastern District of New York (hereinafter "the Court") by Golden Bay alleging, inter alia, infringement of the United States Patent No. 5,645,342 by Christmas tree lights manufactured and sold by Wills Electric to Wal-Mart Stores, Inc., Inliten, and Aliso (hereinafter "Third Party Defendants").

WHEREAS, the Third Party Defendants filed answers in which the Third Party Defendants, inter alia, denied infringement of any of the patents in suit.

WHEREAS Mr. Chia Chen Chang of Wein Ace has applied for and received other patents in addition to the patent that is the subject of the Civil Actions; and

WHEREAS Wills Electric contends that no Golden Bay patent is infringed and that one or more Golden Bay patents are wholly or partially invalid; and

WHEREAS the parties now desire to settle their differences, resolve this dispute which is at issue in the Civil Actions, severly discharge this dispute and avoid future intellectual property disputes involving any other inventions, patents, trademarks, trade secrets or copyrights of Golden Bay and Wein Ace;

NOW THEREFORE in consideration of the mutual promises and undertaking set forth in this agreement and for other good and valuable consideration, the receipt of which is conclusively acknowledged, the parties to this Agreement agree as follows:

SECTION 1 - WARRANTIES AND CERTIFICATION

1.1 Golden Bay warrants that it is the owner of the entire right, title and interest in and to the Patents and that it has the absolute right to represent Mr. Chin Chen Chang of Weln Ase had hereby further warrants that Golden Bay shall indemnify Willis Electric, its agents, and customers from any future disputes initiated by or on behalf of itself or Mr. Chin Chen Chang of Weln Ase.

1.2 Willis Electric warrants that it is authorized to accept these warranties.

SECTION 2 - RELEASE

2.1 Golden Bay and Weln Ase release Willis Electric's agents, resellers, Third Party Beneficiaries, customers, clients, employees, owners, heirs, executors, administrators, liquidators and assigns (hereinafter, "related entities") from all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variations, trespasses, damages, judgments, actions, executions, claims and demands whatsoever in law, admiralty, or equity, which against Willis Electric, Willis Electric's agents, resellers, customers, clients, heirs, executors, administrators, successors and assigns ever had, now have or hereinafter may, shall or may, have for, upon or by reason of any matter, cause or thing whatsoever from the beginning of the world to the day of the date of this Agreement.

2.2 Golden Bay and Weln Ase covenant not to sue Willis Electric and its related entities, especially Willis Electric customers and Willis Electric's Third Party Beneficiaries, as to any U.S. and Foreign patents currently assigned to Golden Bay or licensed to Golden Bay and any other U.S. or Foreign patents issuing to Golden Bay as assignee based on patent applications filed on or before the date of execution of this Agreement.

2.3 Golden Bay and Weln Ase covenant not to sue Willis Electric and its related entities, especially Willis Electric customers and Willis Electric's Third Party Beneficiaries, as to any trade dress or trademark action based on products, trademarks and packaging designs used by Willis Electric prior to the date of execution of this Agreement.

SECTION 3 - CONSIDERATION

3.1 In settlement of Civil Actions and consideration of the foregoing, Willis Electric agrees to pay to Golden Bay Two Hundred Thirty Thousand dollars (\$230,000) after the execution of this Agreement and upon the entry of the dismissal of the Civil Action as hereby provided according to the terms of paragraph 3.2 hereof, which payments, when made, shall constitute total payment to Golden Bay hereunder.

3.2 Within five business days of receipt of two counterparts of this agreement, duly executed by James Hui of Golden Bay individually and on behalf of Golden Bay and

by Mr. Chin Chen Chang of Wein Ace individually and on behalf of Wein Ace, by the offices of McGlew and Tuttle, Willis Electric shall bank wire transfer Two Hundred Thirty Thousand Dollars (\$230,000) to a designated escrow account owned by McGlew and Tuttle. Bank charges for the transfer will be paid by Willis Electric.

3.3 Within five business days of receipt of Judge's signed order dismissing the Civil Actions as provided in the following paragraph 4.1 herein, McGlew and Tuttle shall transfer Two Hundred Thirty Thousand Dollars (\$230,000) to an account designated by Mr. Jimmy Hui. Any charges for the transfer and receipt of the \$230,000 at account number 440446052 in the name of James Hui, of Golden Bay is to be paid by Golden Bay.

GOLDEN BAY ENTERPRISES, INC.
WASHINGTON MUTUAL BANK

SECTION 4 - DISMISSAL OF THE CIVIL ACTION

4.1 Golden Bay expressly agrees and Willis Electric expressly agrees that within three (3) business days of the completed bank wire transfer under Subsection 3.2 and after execution of this Agreement, the stipulation of dismissal in the form attached as APPENDIX II will be filed with the Court requesting a Dismissal of the Civil Actions with prejudice.

SECTION 5 - VENUE AND JURISDICTION

5.1 Golden Bay, Wein Ace and Willis Electric agree that the Court shall maintain jurisdiction of the parties as to this Agreement.

5.2 Golden Bay, Wein Ace and Willis Electric agree that as to the enforceability of this Agreement there exists no adequate remedy at law. Further, Golden Bay, Wein Ace and Willis Electric agree that New York law, irrespective of any Conflict of Laws doctrines shall govern and control the enforceability of this Agreement and this agreement shall be construed and interpreted in accordance with the laws of the State of New York. In addition, Golden Bay, Wein Ace and Willis Electric agree that in the event an action is commenced to enforce this Agreement, said action will be commenced in the United States District Court for the District of New York. Golden Bay, Wein Ace and Willis Electric hereby forever waiving any challenge as to venue or jurisdiction.

SECTION 6 - COSTS AND FEES

6.1 Golden Bay, Wein Ace and Willis Electric hereby agree that each entity shall bear its own costs of suit and attorneys fees, and waive any claim to interest or other statutory compensation as regards the Civil Action or any action to enforce the terms and provisions of this Agreement.

SECTION 7 - COOPERATION

7.1 In the future, should Willis Electric decide to consider the use of Patents of Golden Bay or Wein Ace, Golden Bay and Wein Ace shall allow the use of such Patents under a mutually agreed term.

SECTION 8- GENERAL PROVISIONS

8.1 Any communications required or permitted to be given by, either party pursuant to this Agreement shall be sent by Federal Express or similar courier service.

8.2 This Agreement constitutes the entire Agreement between the parties and there are no understandings, representations or warranties related to or set forth in this Agreement.

8.3 All Section titles are inserted in this Agreement for reference only and are without contractual effect.

8.4 This Agreement shall inure to the benefit of, and shall be binding upon, the respective heirs, representatives, legal successors in interest and assigns of each party hereto.

8.5 This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

8.6 The provisions of this Agreement are severable, and should any provision, for any reason, be unenforceable, the balance shall, nonetheless, be of full force and effect.

8.7 This Agreement may not be modified except in a writing, signed by all parties with such writing making specific reference to this agreement.

8.8 Neither party hereto shall file this instrument and covenant not to sue Agreement in court except for an action commenced to enforce this Agreement.

8.9 Neither party hereto shall disclose the terms of this instrument and covenant not to sue agreement to any third party not referenced in the instrument (section 2) of this instrument and covenant not to sue agreement.

IN WITNESS WHEREOF, Golden Bay, Wain Aoa, and Wills Electric have caused this Agreement to be executed by their authorized representatives as of the day, month and year set forth on the first page hereof.

The Golden Bay Enterprises, LLP.

By: 

Name: Jeffrey Hui

Passport Number: 167512970

Title: President

The Wain Aoa Development Corp., Ltd.

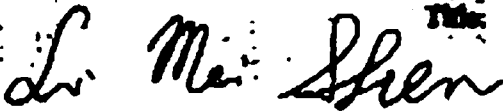
By: 

Name: Chin Guan Chang

Passport Number: 133261700

Title: President

Witness:



Willis Electric Incorporated

By: *[Signature]*

Name: *HENRY H. S. CHU*

Passport Number: *111 700722*

Title: President *Director* *[Signature]*

Attest: